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ABSTRACT

This paper revisits 1997-98 findings that indicated that during the first years of state implementation of Temporary Assistance for Needy Families (TANF), states were most likely to implement the environment theory, which claims that children benefit socially and psychologically from being part of a household in which caregivers have jobs, and less likely to create policies, programs, structures, and processes that put the resource and family structure theories into effect. The resource theory holds that children benefit from an increase in economic resources, and the family structure theory contends that children are negatively affected when raised in single-parent families. It uses two additional rounds of field research, focusing on 16 states. In states with high rates of child poverty, TANF policies continue to be most consistent with the environment theory. States have adopted policies emphasizing going to work and staying off or getting off public assistance. Their policies about work requirements and TANF work programs are very similar to those of states with low child poverty. Unlike states with low child poverty, however, these states have not expanded the resources made available to poor families to nearly the same degree. Although it might be argued that many states have expanded work supports and other resources for working families since the first years of TANF implementation, this tendency is much weaker among the states where most poor children reside. All states have done relatively little with respect to family structure theory, although states with high child poverty devote more money to such policies. (Contains 9 references.) (SM)

# CHILDREN AND WELFARE REFORM:

## WHAT POLICY THEORIES ARE BEING IMPLEMENTED IN STATES WHERE MOST POOR CHILDREN LIVE?

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## Children and Welfare Reform:

## What Policy Theories are Being Implemented in States Where Most Poor Children Live?

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When Aid to Families with Dependent Children was replaced by Temporary Assistance for Needy Families (TANF), a main argument for adopting a block grant rather than an entitlement was that states should have leeway to decide how to structure their welfare programs. Advocates of devolution argued that states could accomplish more with less money if they were not constrained by federal requirements. States could identify their most important problems and figure out how to mitigate them by devising solutions pertinent to their own communities and economic conditions. Devolution would thus allow states to achieve responsive government and policy innovation.

Opponents were not sanguine, however, about the possibility that states would meet these expectations. Concerned about incentives for supplantation, they feared states might use federal funds to replace rather than buttress state funding for social welfare policies. Moreover, many state governments had a reputation of poorly representing disadvantaged populations, and these would most likely have little interest in searching for new ways to reduce poverty. Also, even if states wanted to pursue creative policies, few had the resources or the administrative capacity necessary for policy innovation.

However, if one is concerned with the effects of devolution on poor children—a concern we adopt in this paper—arguments about states *in general* are somewhat beside the point. Poor children remain unevenly distributed among the states, with much higher concentrations in a relatively small number. Thus, to understand how and whether poor children in the U.S. are affected by federal, state, and local welfare reforms, it is critical to understand how states with the most poor children have responded to TANF. This paper is a first effort to address that question. We investigate how sixteen states with high rates of child poverty responded to welfare reform.* In 1999 these states had poverty rates among children above 20 percent, ranging from 21 percent in Kentucky to 27 percent in New Mexico. Although these constitute less than one-third of the states, 58 percent of all poor children in the U.S. live in these states. Most political actors admit that child poverty is a central problem. Although they differ on the nature of the problem and its causes, few question the idea that poverty among children limits child

* The states are Alabama, Arizona, Arkansas, California, Florida, Georgia, Kentucky, Louisiana, Mississippi, Montana, New Mexico, New York, Oklahoma, South Carolina, Texas and West Virginia.

development and prospects for a full adult life. Now that TANF has made states into the basic units of analysis (though in some cases the units are even smaller, at the local level), does the implementation of TANF look different in states where most of the poor children reside? Do these states use the flexibility granted to them under devolution to develop innovative policies concerning children? Do they differ in important ways from other states, such as states with low child poverty rates? To help us see whether states with high concentrations of poor children are implementing distinct approaches to welfare reform, we compare the policies of the states with high rates of poverty among children to states with low rates of child poverty.[†]

While AFDC was and TANF is a children's program, political actors do not all agree on what constitutes child wellbeing or what government should do to advance it. In previous research, we argued that there were three different policy theories about child wellbeing contained within the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (Johnson and Gais 2001). The environment theory maintains that children reap psychological and sociological benefits from being part of a family in which the head of the household works. The resource theory holds that children benefit from increased resources as caregivers enter and progress in the workforce and not simply from having a working parent. The family structure theory contends that children benefit from being born and raised in a particular kind of family—specifically married, two-parent families—and suffer when raised in a single parent family or by unmarried parents. Drawing on field research conducted in 1997-98—that is, the first years of state implementation of TANF—we found that states were most likely to implement the environment theory and were less likely to create policies, programs, structures, and processes that put the other two theories into effect.

In this paper, we revisit those findings in light of a wider base of data, including two additional rounds of field research, and with a specific focus on sixteen states. We find that in states with high rates of child poverty, TANF policies continue to be most consistent with the environment theory. They have adopted policies that emphasize going to work and staying off or getting off public assistance, and their policies about work requirements and TANF work programs are very similar to those of states with low child poverty. Unlike states with low child poverty, however, these states have not expanded the resources made available to poor families in nearly the same degree. Thus, although it might be argued that many states have expanded work supports and other resources for working families since the first years of TANF implementation, this tendency is much weaker among the states where most poor children reside. Finally, all states have done relatively little with respect to family structure theory, although states with high child poverty devote more money to such policies.

[†] The states with low rates of child poverty are Colorado, Connecticut, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, Nebraska, New Hampshire, New Jersey, Utah, Vermont, Virginia, Washington, and Wisconsin.

## The Environment Theory

The first theory involved changing the child's home environment by moving parents into the workforce. According to this line of thought, a child should be raised in an environment strongly connected to the world of work. A working parent would provide a role model for children by showing them that adults are expected to work for their livelihood and not rely primarily on public assistance. Having a working parent was also expected to structure the home environment by creating daily routines and schedules, which some proponents viewed as important for child development. Some supporters of welfare reform also believed that if child care arrangements were of requisite quality and availability, children in low-income families might benefit from being cared for in professional settings. Whether employment increased household resources so that children were no longer poor is not central to this theory. Rather, exposing children to the world of work and removing them from the world of welfare were essential elements for improved child wellbeing.

The broad structure of the federal act contains the policy elements critical to the environment theory. Work requirements and time limits on assistance advance the theory's central goals of getting adults into the workforce and off the rolls. Thus, if states develop welfare programs consistent with these federal contours and do little or nothing else regarding children, their programs would fit with the environment theory. Time limits on assistance, stricter sanctions, work requirements, and other policies and signals stressing work would by themselves be expected to have beneficial effects on children.

Much research has found that states moved quickly to develop and implement welfare programs that strongly signaled the importance of employment and getting off the rolls (Nathan and Gais, 1999; Gais, Nathan, Lurie, and Kaplan, 2001). States with high rates of child poverty are no exception, and overall, their welfare programs are highly consistent with the environment theory. They have adopted policies intended to discourage individuals from coming on the rolls, strong work requirements that apply to women with children, and work programs emphasizing "work first" or immediate placement in entry level employment. Indeed, with respect to these policies, their TANF programs are similar to those states with low rates of child poverty.

All but two of the high poverty states (14 out of 16) have at least one policy designed to encourage applicants to work and discourage them from coming on the rolls. These include a formal diversion program (adopted by 11 of the states) and mandatory job search requirements for applicants (adopted by 5 of the states). We also know from Rockefeller field studies that Mississippi, one of the two states without either formal policy, has a discouraging application process, including a long application form, signs in the waiting room chiding those who are not working, and messages about strict enforcement of tough sanctions. One agency administrator stated that clients often dropped out when referred to the TANF work program, as they believed the process had "too much red tape." States with low child poverty are only slightly less likely to have either of these policies. Four of those 17 states have neither a diversion program or

mandatory job search. But 13 have at least one, and like the high poverty states, they also prefer a diversion program (12 states) to mandatory job search (4 states).

For individuals who receive TANF cash assistance in the high poverty states, participation in state work programs is required shortly after going on the rolls. Similar to other states in the nation, most of these states (12 of 16) require that adults comply with work requirements immediately upon receipt of aid. Two states give individuals more time, but not much more (3 months in New Mexico and 6 months in Kentucky). Only two states (Georgia and Louisiana) used the federal government's requirement that individuals had to work after receiving aid for 24 months, and in Georgia "waiting rooms, elevator lobbies and case worker offices contain inspirational posters about the value of working, and the need to work first." The low poverty states were again slightly more generous with five states using the federal government's 24 month time frame. But most of these states also imposed work requirements immediately (10 of 17) and two gave adults just a few months before requiring their participation in the work program (2 months in Massachusetts and 3 in Virginia). During the 1995-96 congressional debate about welfare, one idea was that women and their children needed public assistance to recover from various crises, making it unnecessary, and some might argue even undesirable, to impose work requirements immediately. Thus, one argument in favor of the 24 month standard was that it would give these families the time they needed to put their lives back together before adult heads sought employment. Few states picked up this idea, however, and most underscore instead the importance of individuals moving without delay into the world of work.

States have backed up expectations about work with policies making it clear they apply to women with children. Under federal law, states can exempt single parents caring for a child under one year of age from work requirements. Among the high poverty states, seven states have opted not to do this. Six of these states use a lower age for their exemption for mothers with infants, and one state (Montana) decides on a case-by-case basis if single parents are exempt. Only one state, Texas, uses a higher age and grants an exemption to single mothers with toddlers (36 months). This is not out of line with the policies of other states although there is more variation among the states with low child poverty. More of these states have a higher age limit for their exemption but more also make this decision on a case-by-case basis (see Table 1).

States with high child poverty are less likely to recognize child care problems as a good cause for noncompliance with these work requirements. Federal law specifies that states cannot sanction individuals for not complying with work requirements if child care is unavailable for children up to age five. Some states, though, have expanded this good cause reason to include school-age children, increasing the age to cover children in the upper grades of elementary school who could more reasonably be expected to care for themselves after school. As Table 1 indicates, states with high child poverty rates were less likely to do this than states with low child poverty, a move consistent with the environment theory because it weighs so heavily the presence of a working parent in successful child development.

Table 1
Exemptions from Work Requirements

| *Exemptions from work due to:* | | *States with high child poverty* | | *States with low child poverty* |
|---|---|---|---|---|
| Caring for child up to age: | | | | |
| Higher than 12 months | 1 | TX | 4 | MA NH VT VA |
| 12 months | 8 | AZ GA KY LA MS NM SC WV | 6 | CT IN KS ME MD MN |
| 6 months | 1 | CA | 0 | |
| 3 months | 5 | AL AR FL NY OK | 4 | NB NJ WA WI |
| Case-by-case | 1 | MT | 3 | CO IA UT |
| Child care unavailable up to age: | | | | |
| 5 years | 7 | FL KY LA MS NM OK WV | 1 | NB |
| 6 years | 0 | | 1 | MD |
| 10-13 years | 8 | AL AZ AR CA GA MT NY SC | 12 | CT IN IA KS ME MA MN NH NJ UT WA WI |

Sources: Data on the exemption from the work requirement if caring for a young child are from the 2001 TANF Annual Report to Congress, DHHS. Data on the good cause reason for noncompliance with a work requirement are for 2000 and come from the State Policy Documentation Project, www.spdp.org.

Accompanying these strong work requirements are tough sanctions and lifetime limits on receipt of welfare. Sanctions enable states to enforce their work requirements, and high poverty states resemble low poverty states in the structure of their penalties. A majority of both groups partially reduce grants in the first instance of noncompliance and then end cash assistance entirely for the ultimate sanction. Five of 16 high poverty states continue partial reductions for the ultimate sanction while six of 17 low poverty states do the same. Only five of the high poverty states and four of the low poverty states end the ultimate sanction when the adult comes into compliance with the program requirement; a majority of states continue the sanction for some set period, although this ranges considerably from a low of one month in Arizona to a lifetime sanction in Mississippi and Georgia.

Time limits underscore the need for adults to enter the labor market quickly in hopes of gaining the work experience needed to acquire steady employment before time limits apply. Few states have decided to forego time limits on the receipt of aid, and not surprisingly, none of the states with high child poverty rates have decided to do this, although Arizona has an intermittent time limit (24 out of 60 months) with no lifetime ceiling. Among the low poverty states, only Vermont has no time limit at all, and Massachusetts has a policy like Arizona's. Most of the high and low poverty states have adopted the federal government's five-year limit, with a few in each group opting for lower limits. Most states in both groups have also decided not to extend benefits to children if their families hit the lifetime limits.

With respect to their work programs, states with high child poverty continue to operate programs that emphasize work first activities. While states are slightly more likely to disallow activities related to education and training than activities related to immediate employment, these states accept most of the work activities allowable under federal law, and in program design, they compare favorably to states with low child poverty.[‡] But in most states, individuals participating in the work programs are involved in activities related to immediate entry into the labor market, such as unsubsidized employment, job search, or work experience. Among high poverty states, on average, 87 percent of participating adults are engaged in work activities related to immediate employment, similar to the low poverty states at 88 percent.[§] Some of the high poverty states do have higher proportions of adults participating in education and job training activities, such as Arizona at 37 percent and Georgia at 27 percent. We know from Institute field reports that this training is not necessarily for higher-level, better-paying jobs. In Georgia, for example, "clients are told to 'get a job, any job,'" and training programs are short term and generally used for individuals who cannot find entry-level positions through job search.

**Resource Theory**

The resource theory would seem to have the strongest claims for effectiveness on child well-being. Comparative analyses of experimental studies of work-focused welfare reforms implemented as AFDC waivers (that is, before the enactment of TANF) suggest that children are least likely to be hurt and more likely to gain with respect to child-being measures under programs that attempt to "make work pay" by offering relatively generous financial incentives to families who increase their earnings, and that offer child care and other forms of assistance to help absorb the costs of working (Duncan and Chase-Lansdale 2001). By contrast, programs that include time limits and work requirements with sanctions—at least when these program elements are implemented in isolation from others—fail to show significant gains on child well-being measures.

In the years since TANF was enacted, most states have implemented elements of the resource theory. Our initial review of the state implementation in 1997-98 showed less evidence of this development (Johnson and Gais 2001). States devoted most of their

[‡] For all sixteen states, there are a total of 16 prohibited activities. Eleven of those were education and training related, while only five involved employment activities. Again, however, these states compare favorably to their low poverty companions. The low poverty states disallowed a total of 35 activities, with 21 coming from education and training activities. In fact, the low poverty states were less likely to accept post-secondary education as an activity that met the work requirement. Data on which kinds of activities are allowed under the state's work program are from October 1999 and come from the State Policy Documentation Project, www.spdp.org. Data on the percent of participating adults engaged in various activities come from the 2001 TANF Annual Report to Congress, DHHS, and are monthly averages for fiscal year 2000.

[§] The average for both groups of states is slightly below the nationwide average of 91 percent.

early efforts to signaling work responsibilities to families by changing policies, bringing employment or workforce development agencies into welfare reform efforts, imposing work sanctions, and changing processes—especially intake procedures—to signal the new expectations (Nathan and Gais 1999). After the first two years of welfare reform, however, states were experiencing fiscal surpluses under the block grant and many responded by increasing spending on services and benefits, such as child care subsidies, enhanced earnings disregards for working families, transportation assistance, and other new or expanded programs, mostly supporting the work goals of TANF (Gais, Nathan, Lurie, and Kaplan 2001).

But this response was conditioned by the structure of the block grant, which allocated very different levels of resources per child in needy families across the states (Weaver 2002; Gais and Weaver 2002). The federal TANF block grants were based on federal spending on AFDC and related programs (such as JOBS and Emergency Assistance) in the mid-1990s, when spending was historically high due to the large caseloads that most states experienced after the mild recession of the early 1990s. This formula gave most states much more money than they would have received under AFDC, given the widespread and sharp declines in caseloads through 2000. However, the formula also froze into place the sharp differences in federal funding levels *across states* that were found under AFDC. Such differences were reinforced by the maintenance of effort (MOE) requirements under TANF, which were keyed to *state* expenditures in the same time period. A supplemental grant reduced some of these sharp differences in total federal and state spending, but the differences remained substantial.

As the bottom row of Table 2 indicates, states varied greatly in the fiscal size of their federal and state TANF programs relative to the number of low-income children living within their boundaries—even after the TANF supplemental grants were included (which they are in Table 1). In the typical or median state, TANF provides or mandates spending of about $800 per low-income child. But TANF resources in eight states are less than $400 per child, while nine states have more than $1,600 per child. These differences are fairly strongly correlated with the size of the proportion of children who are poor in each state. Most of the states with the highest levels of children under the federal poverty level (20 percent or more in 1999) have relatively few resources (i.e., less than the median) per low-income child under the block grant; while just the opposite pattern exists for states with low concentrations of poor children. TANF thus provides or mandates far fewer resources per poor child in states where such children are most likely to be found.

As demonstrated elsewhere (Gais and Weaver 2002), fiscal resource differences across states per low-income child are related to state policy choices, even after political and other state-to-state differences are taken into account. For example, although most states increased their earnings disregards after the enactment of TANF in 1996—thereby allowing families to keep more of their income as they increase their wages and hours worked—the trend was much more pronounced among states with relatively large TANF grants and MOE levels per low-income child. This was especially true for earnings disregards that did not decline over time—that is, disregards that were not reduced, for

example, after the first four months when a parent worked while still on assistance (a characteristic of AFDC). States with relatively small TANF grants and MOE spending requirements often increased their earnings disregards, but the increases were typically much smaller, and most of the increases only applied for the first few months of working. The message in these states was clearly that combining earnings and assistance was only a very short-term option.

Table 2

Number of states by fiscal resources per low-income child under TANF, stratified by proportion of children under the federal poverty level

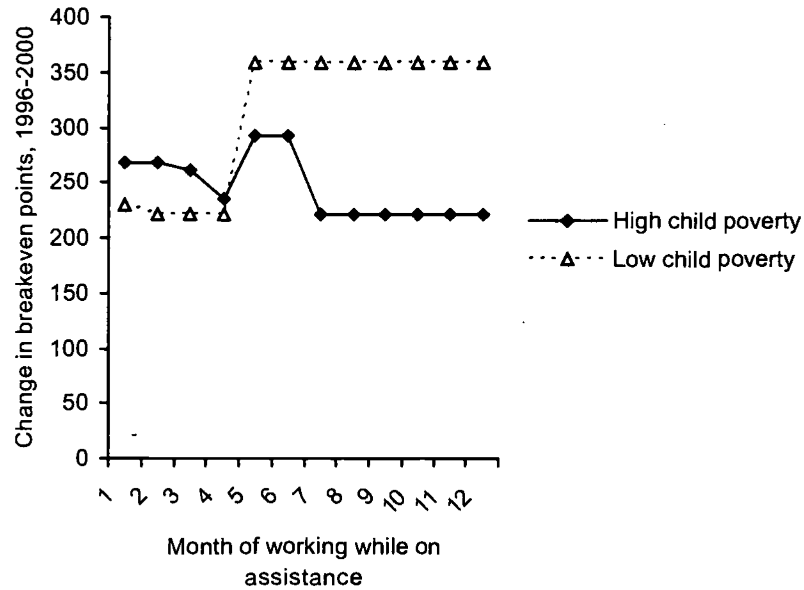
| | Under $401 per child | $401-$800 per child | $801-1,200 per child | $1,201-1,600 per child | Over $1,600 per child |
|---|---|---|---|---|---|
| States with highest proportions of low-income children (N = 16) | 4 | 6 | 4 | 1 | 1 |
| States with relatively low proportions of low-income children (N = 17) | 1 | 4 | 4 | 1 | 7 |
| All states (N = 50) | 7 | 16 | 14 | 3 | 9 |

Spending ratios per child are calculated as total federal TANF, state MOE, and federal supplemental dollars, divided by the number of children in the state under 125 percent of the federal poverty level (averaged across 1997, 1998, and 1999); rows represent states with different proportions of children under the federal poverty level (for example, states in top row with highest proportion are those with 20 percent or more of the children in the state under the federal poverty level)

This relationship between expanded disregards and the relative size of TANF grants generated differences in policy changes across states with different child poverty levels. To compare changes in state disregards across states in a simple manner, we used changes in break-even points, i.e., how much earnings a family on assistance must receive per month to lose eligibility for continuing cash benefits. As earnings disregards are increased under new policies, break-even points go up, meaning that families may earn more and more money before losing eligibility for cash assistance. Figure 1 shows changes in breakeven points between 1996 and 2000. Each of the lines shows the average (mean) breakeven points for two categories of states: those with high and low rates of child poverty (using the same categories presented above). The states with low child poverty rates (indicated by the dotted line) showed the largest increases in breakeven points after the fourth month for a family of three. From the fifth to the 12th month, breakeven points for these states increased an average of over $350 per month between 1996 and 2000. However, states with high child poverty rates—though they also typically showed increases in breakeven points—showed much lower increases after the fourth month. These states tended to increase their earnings disregards substantially for the first months when a family on assistance was working, but the disregards were often reduced afterwards—signaling to families that they ought to get off of assistance, and quickly.

Figure 1

Changes in State Break-even Points, AFDC vs. TANF, 1996-2000




Because the relative sizes of TANF grants are related to the proportion of a state's children in poverty, and because these grant sizes are also related to policy choices, it is not surprising that we find major differences in policies between states that have high proportions of children in poverty and those that do not. Figure 2 shows one aspect of those differences—an aspect central to the resources theory. To see how state welfare reforms might affect household incomes, we calculated total household incomes under several earnings scenarios in 1996 (the last year of AFDC) and 2000 (three years after most states implemented TANF). We calculated the scenarios assuming a three-person household (one parent and two children); earnings assumptions ranged from a parent working 10 hours per week at minimum wage to 40 per week at $7.00 per hour. Total income for the family—including AFDC/TANF, Food Stamps, the federal earned income tax credit, and earnings—was then calculated for the first year of work while on assistance. Finally, the change in annual income was determined by subtracting the family's household income estimated for 1996 from the estimated income in 2000.

This difference in estimated annual income is shown in the vertical axis in Figure 2. The points in Figure 2 show the mean or average changes in annual income for different groups of states. For example, the largest change in annual income—based on changes in state policies under these hypothetical situations—occurred among families where the parents or guardians worked 30 hours per week at the minimum wage, in states with low levels of child poverty. Three basic points may be gleaned from the figure. First, all of the average changes are positive in the 15 scenarios/state categories represented on Figure 2. Some individual states showed declines in estimated family

income under these hypotheticals, but the typical shift was upward, largely due to the increased earnings disregards under TANF. Second, the increases were greatest among families working part-time—e.g., families whose heads worked 20-30 hours at the minimum wage. Increases were much smaller among those who worked even less (e.g., 10 hours) and among those who worked full-time, especially at wages slightly above the minimum wage (even as low as $7.00 per hour).

Third, states that had the highest concentrations of children in poverty showed the smallest increases in family income, and the peak changes occurred at a lower level of earnings (i.e., when the head of household worked only 20 hours at the minimum wage). These smaller changes were due to three factors: states with high concentrations of child poverty were less likely to adopt generous earnings disregards when compared to other states; even if they did adopt significant disregards, their basic benefit levels (with two exceptions, New York and California) tended to be low and thus put a ceiling on the amount of assistance available to working families; and the earnings disregards that such states did adopt tended to decline over time, especially after the first four months of work. As a consequence, although some states have enacted TANF policies that, at least at this hypothetical level, rewarded some working families with greater resources, among states with the highest proportions of low-income children, the resource gains to children with families were much smaller on average and peaked at a lower level of work activities.

Figure 2

Changes in annual income for 3-person families under AFDC/TANF between 1996 and 2000, by different earnings scenarios, and by different child poverty levels in the states

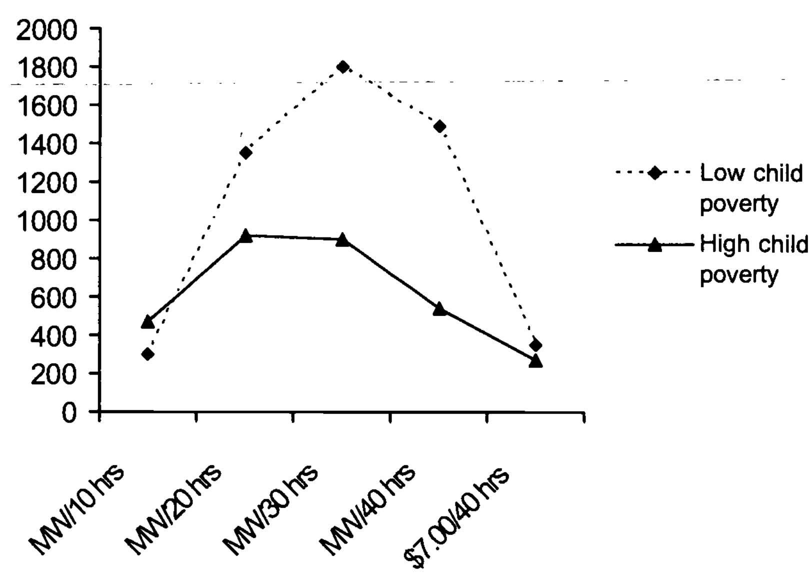


Figure 2, however, tells only part of the story of changes in resources available to poor families with children. One of the most startling changes in the implementation of state welfare reforms has the shift away from spending on cash assistance—largely due to the declines in the cash assistance rolls—and toward greater spending on services and in-kind benefits. In fiscal year 2000, the typical or median state spent only 43 percent of its combined TANF and MOE money on "assistance," i.e., benefits that support the basic, ongoing needs of families. Most of the remainder was spent on "nonassistance"—child care for working families, transportation assistance, job services, post-employment training, case management, and many other programs designed to help family heads get and keep jobs. In some states, such as Florida—one of the high-child-poverty states—the change has been startling. As the Institute's field research director noted:

> In 1994, prior to the TANF program, approximately 80% of [Florida's] welfare program was cash assistance, about 7% was emergency assistance, child welfare, and expanded services to families, about 10% was eligibility determination and program administration and about 3% was work support services. In state FY 2001-02 . . . only about 20% of the total was devoted to cash assistance, about the same percentage was devoted to both work support services and emergency assistance, child welfare and expanded services to families, about 23 percent was devoted to child care above the child care block grant and about 3-5% was reserved for future obligations, surplus and reserve. The program has moved from one whose principal strategy was cash assistance to one which focuses very heavily on finding employment for those seeking assistance and providing assistance in the search for employment.

These shifts in welfare budgets are reflected in shifts in overall human service budgets in the states. To understand whether states are really making major changes in their human service priorities—or whether they are simply shifting around program expenditures to take advantage of TANF's flexibility—the Institute conducted a study of overall changes in spending on all nonhealth human services before and after the implementation of welfare reform. Data from 17 states (including the District of Columbia) in fiscal years 1995 and 1999 are available now. These data included all nonhealth state expenditures in state budgets—not just TANF money—including spending from federal as well as state sources. This broad coverage allows us to see overall shifts in state priorities, not just idiosyncratic differences among states in decisions about what programs to move under the broad TANF or MOE umbrellas.

Data were disaggregated into six categories: (1) cash assistance; (2) other basic needs, such as housing assistance, state-funded food assistance, and emergency assistance; (3) child care subsidies and programs supporting child development; (4) work supports, such as education and training programs, post-employment services, and state income tax credits; (5) child welfare; and (6) other welfare-related services, including juvenile justice expenditures, family formation, pregnancy prevention, and substance

abuse expenditures. Most of these categories may be viewed as supporting some aspect of the resource theory; we only delete the fifth category (child welfare) from consideration because much of the spending is not reasonably related to this approach. In the 17 state sample as a whole, median cash assistance spending declined by 50 percent, while spending on child care increased by 117 percent, spending on work supports grew by 37 percent, and overall spending on nonhealth social programs grew slightly in the typical state (Boyd, Billen, and Dearborn, 2002).

Differences between the states, however, are quite large, and again we see important differences between states that have large proportions of low-income children. Table 3 shows average levels of spending on social programs in fiscal years 1995 and 1999, when those expenditures are standardized by the estimated number of poor children in each state. In 1995, before TANF, important differences in median expenditure levels already existed between states that had high child poverty rates and those with low rates in all five spending categories. In the areas of cash assistance, other basic needs, and other-welfare-related, states with high proportions of low-income children spent a little less than half of what the low-child-poverty states spent per poor child. The difference was even greater for work supports. However, in the area of child care, the difference between states with high and low child poverty rates was not great, as most states spent very little.

Table 3

Median levels of spending on social programs per poor child, Fiscal Years 1995 and 1999

| | *Cash assistance* | *Other Basic Needs* | *Child Care* | *Work Supports* | *Other Welfare Related* |
|---|---|---|---|---|---|
| | | | ***1995*** | | |
| States with highest proportions of low-income children (N = 5) | 395 | 351 | 128 | 86 | 112 |
| States with low proportions of low-income children (N = 6) | 813 | 834 | 166 | 247 | 256 |
| | | | ***1999*** | | |
| States with highest proportions of low-income children (N = 5) | 163 | 469 | 190 | 206 | 128 |
| States with low proportions of low-income children (N = 6) | 294 | 1,045 | 367 | 513 | 309 |

In 1999, these basic differences continued to exist, though their magnitudes changed substantially. States that had the highest child poverty rates reduced their spending on cash assistance (per poor child) by more than half, while increasing their spending in all other categories: other basic needs, child care, work supports, and other welfare related. This direction of change—from cash assistance and toward services and in-kind supports—is fairly typical of most states. However, in the states with the highest child poverty rates, the size of the changes were not nearly as large as the changes in the

states with low child-poverty rates. As a consequence, 1999 generally showed much larger differences between the median spending levels of states with high and low poverty levels—most notably in the case of child care. This pattern of growing differences between the high and low child poverty states is also apparent if we compare the median changes in spending (again, per poor child) between 1995 and 1999—changes that are displayed in Table 4. Except for the small changes under cash assistance, the spending changes per poor child are typically much smaller in the states with high child poverty rates.

Table 4

Median changes in spending on social programs per poor child, Fiscal Years 1995 and 1999

| | *Cash assistance* | *Other Basic Needs* | *Child Care* | *Work Supports* | *Other Welfare Related* |
|---|---|---|---|---|---|
| States with highest proportions of low-income children (N = 5) | 23.1 | 291.3 | 149.6 | 133.9 | 71.7 |
| States with low proportions of low-income children (N = 6) | (11.4) | 496.7 | 282.2 | 363.2 | 137.8 |

Why have states with high child poverty rates failed to increase their spending on services to the same degree as other states?** Of course, many of these are southern and western states that traditionally offered lower levels of benefits to low-income families, and their political cultures, economic conditions, and other factors affecting such policies probably did not change enormously in the 1990s. However, because of the relatively small block grants per poor child in most of these states, the states did not have the resources under the TANF block grant to greatly increase their spending on services and in-kind benefits—even if their political and economic circumstances had changed substantially. Also, despite the fact that the southern and mountain states typically showed larger cash caseload declines than other states, these declines did not produce the same fiscal savings under their cash assistance programs as did states with more generous benefit levels (Boyd, Billen, and Dearborn 2002). Thus, for many of the high poverty states, resources for increased spending on services and in-kind benefits were in much shorter supply under TANF.

That is not the complete story for these high poverty states, however. New York and California had relatively large cash assistance programs and benefited from large TANF grants. Yet neither of these states underwent the same degree of transformation—from reliance on cash assistance to a greater focus on services and in-kind supports—as was common in many other states with similarly large TANF grants. In the fiscal effects dataset, California, New York, Ohio, and Rhode Island stand out as states that still rely

** Although states with moderate rates of child poverty are not displayed in the tables, in fact they too show higher median levels of spending on social programs per poor child than the states with the highest rates of child poverty.

much more heavily on cash assistance than most other states in fiscal year 1999. Rhode Island is readily understandable—they largely rejected many elements of the federal push to eliminate welfare as an entitlement. But the other states did undergo at least moderate shifts in policies at the state level. Although we cannot yet be sure, one factor seems to be the heavy reliance of these states on their counties to implement welfare reforms. Although some counties may be quite eager and able to shift toward service strategies, many are not. In fact, one of the more important divides among state that have historically relied on counties to administer their welfare systems is between those states that have completely and successfully renegotiated their state-county relationships (as Wisconsin and Colorado seem have done) and those that tried to implement the reforms while maintaining their traditional state-county arrangements (as New York, California, and New Jersey have). The weaker increase in spending on services among high child poverty states may thus be attributable in part to the small TANF grants, political traditions, and other variables that have limited resources for poor families in the southern and mountain states; and on the fact that child poverty is also concentrated in two large and highly decentralized states that have faced important institutional barriers in shifting toward effective service strategies.

Although the Institute has only begun to review its most recent field reports on the implementation of TANF in 26 local sites in 16 states, our preliminary reviews suggest that the high poverty states are facing even greater problems in implementing an effective resource strategy in the aftermath of recent economic downturns and state budget problems. Nearly all states have had at least to trim some elements of their TANF/MOE programs in the last year. Partly this is due to general budget cutbacks; partly because states began to spend down their TANF surpluses in fiscal years 2000 and 2001; and partly because some states have seen increases in TANF assistance cases. However, we are seeing very big differences in the severity of these fiscal stresses and in how states are dealing with them. In some of the states, especially those with relatively large TANF grants, the changes are significant but mostly at the margins of the program. Michigan, for example, is cutting its fatherhood programs, its staffing (largely through attrition and early retirement), and a few relatively small programs. By contrast, in some of the high child poverty states, we are seeing major program changes. Arizona has cut back most of its nonassistance programs, and it has even eliminated job services in some of the smaller, mostly rural areas in the state. West Virginia has cut back part of its cash assistance program by reducing its earnings regards. Although it is too early to generalize, it appears that the economic and budgetary stresses are falling particularly hard on many of the states with high child poverty rates—a tendency that, again, may in part be attributable to relatively small grants available to these states.

### Family Structure Theory

We have called the third theory, highlighted in the preamble of the 1996 federal legislation, the family structure model. Children are assumed to do best when they are born to and raised by married couples living together--and to do poorly under virtually any other arrangement. Because they do not try to reduce the number of single mother families, policies that require work and reduce welfare receipt among single mothers are

considered to be imprudent by the most vocal proponents of this theory. Welfare policy instead, they argue, should focus on encouraging and sustaining marriage, and discouraging the birth of children out of wedlock.

Increased state flexibility under TANF is particularly large in this program area. States are free to deny aid to unwed teen mothers and to children born to parents already receiving assistance. Other elements in the federal welfare reform act, such as restrictions on teen mothers, performance bonuses for states that reduce out-of-wedlock births, and special funds for teaching sexual abstinence, were designed to encourage states to create and implement programs that try to increase the proportion of children born in married, intact households. States with high child poverty rates may find family structure theory particularly attractive as multiple parents may increase the economic and emotional resources available to a child and thus reduce the pressure on other institutions to provide those resources.

Despite the arguments for promoting two-parent families and marriage, states have not embraced family structure theory as a key strategy in current welfare programs. States have adopted some policy changes toward eligibility and avoided others related to family structure. But otherwise states have placed little or no emphasis on marriage or the formation of two-parent families in designing TANF systems. Where there is state activity, much of it has been recent, generated by debates over reauthorization, and is still in the early stages of planning or initial implementation. In addition, these initiatives vary considerably and indicate little consensus about the kinds of programs necessary or likely to induce adults to raise children in married, two-parent families. Moreover, the continuation of these state and local programs is threatened by funding losses due to state revenue shortages or shifts in state leadership.

During the congressional debate about the adoption of welfare reform in 1995-1996, much of the discussion about family structure centered on proposals to deny aid to unwed teen mothers and to children born to women already receiving assistance. The focus was on using eligibility for assistance to reduce the number of children born out of wedlock. None of the states have adopted a policy of denying aid to unwed teen mothers, and half of the states with high child poverty rates (8 out of 16) have adopted family caps, compared to 8 of the 17 states with low child poverty rates. Because family caps apply to children born to married as well as unmarried parents, it is unclear to what extent they are expected to alter family structure. Overall, states have not moved aggressively to try to alter family structure by denying aid to single mothers and their children.

They have relaxed, however, eligibility rules that made it more difficult for two-parents to receive aid. Under AFDC, these families were required to prove recent attachment to the workforce by having worked six of the previous 13 quarters. They also faced a thirty-day waiting period before receiving cash assistance, and once on the rolls, they were limited to working only 100 hours a month, less than full-time. Under AFDC, 15 of the 16 states with high child poverty applied three eligibility restrictions to two-parent families, compared to 12 of the 17 states with low child poverty. Among the states with high child poverty, 10 now have no restrictions for two-parent families, compared to

12 of the 17 low poverty states, and only one (Mississippi) maintains three restrictions. Relaxing all three of these rules for two-parent families has been the modal response across all states; thirty-three states have eliminated all restrictions.

Other than these changes regarding eligibility, spending patterns among the states indicate how limited state attention to family structure strategies has been. In federal fiscal year 2000, the fifty states spent minimal portions of their TANF grants (including MOE) on efforts to promote or maintain two-parent families and efforts to prevent unplanned pregnancies. Collectively, only 0.25% of TANF dollars nationwide were dedicated to promoting two-parent families in 2000. The average state spending was 0.94% of state TANF money, with a high of 9.39%. States spent a similar amount, 0.28% of all TANF dollars, on pregnancy prevention. Average spending was slightly higher than of two-parent family formation, 1.02%, with the top of the range at 4.79%. Initial analysis of 2001 spending data indicates there may be some increases in this area of spending, but the portion of funds are still very small; of states reporting their spending thus far, the average spent on pregnancy prevention was 1%, with a high of 6%, and the average on two-parent family formation was 2%, with a high of 14% (Neuberger 2002).

State spending on family structure does, however, vary by the concentration of child poverty in the state, if only slightly. States with low child poverty rates spent on average 0.30% of their TANF dollars on two parent family formation and pregnancy prevention. States with the highest levels of child poverty spent the most, on average 1.96% on the combined efforts of two-parent formation and pregnancy prevention. [††]

State initiatives in this area are quite varied. Some states, such as Arizona and Oklahoma, focus on promoting marriage through exhortation and information. Arizona has adopted a marriage commission, a marriage skills course, and free marriage manuals to all applicants of marriage licenses. Oklahoma got national attention for its "marriage ambassadors," two academicians who give seminars on relationship skills. West Virginia has adopted a financial incentive. It offers a cash bonus to single women who marry while on welfare, a practice the state was planning to discontinue until it received national attention during reauthorization discussions. Some programs are service oriented, such as West Virginia's youth development programs, while others are educational, such as Florida's new requirement that all high school students take a class on marriage and the family. Other states target family planning and pregnancy prevention. In Georgia, family planning is deeply integrated into the welfare system as counseling is mandatory for all TANF recipients. In New York and Texas, however, family planning efforts are generally independent of TANF, funded by other sources, and administered outside of the welfare agency. According to researchers in each state, family formation issues have no salience in the state, and were not prominent in legislative debates.

The variation in these state programs may eventually lead to a few innovative policies widely adopted by other states. Certainly, the Bush administration hopes that it

[††] States with moderate levels of child poverty spent 0.60%.

can spur creativity through encouragement and grant money. But the initiatives adopted to date suggest few cohesive ideas about what government can do to induce adults to bear and raise children in married two-parent families. The dominant idea in debates over the adoption of welfare reform centered on using financial inducements through the manipulation of eligibility for public assistance. States have not endorsed this notion, but neither have they yet found a plausible alternative. While many may argue that children should be raised in two-parent families, there are more arguments about the desired outcome than various ways to achieve it.

## Conclusions

Compared to the other policy theories concerning child wellbeing, adoption of the environment theory is relatively widespread among the states, including those with high rates of poverty. While states have had to make major changes in their welfare programs and systems, policies consistent with the environment theory are easier to design and implement. The policy ideas are not complicated, and the assumption that child wellbeing can be achieved by having a working parent reduces considerably the obligation to provide additional programs for children. This does not mean that policies consistent with the environment theory hold out no pitfalls for these states. Successful implementation of the environment theory relies heavily on the extant private sector for jobs, and states with high rates of child poverty may also find it difficult for their local economies to generate sufficient entry-level positions (Plein 2001). Indeed, states with high child poverty had (in fiscal year 2000) much lower rates of adult participation in their work programs (34%) compared to states with low rates of child poverty (48%).

Although states are doing more than they were in 1997-98 to implement the family formation goals of TANF, we still see a rather scattershot, incremental approach to this group of policy theories among all the states, including those with high child poverty rates. Although states with high child poverty rates are, on average, spending more than other states, even in these states efforts are marginal and usually unfocused.

Perhaps most difficult to implement—and certainly more costly—is the resources theory. This approach to welfare reform has spread significantly since the first years of TANF implementation as many states built greater work incentives into their cash assistance programs and began the transformation of their welfare systems toward the provision of work supports and services. However, these developments did not spread evenly among all states. Most important, the expansion of services and the provision of the most generous disregards are much less evident among states with high concentrations of child poverty.

To the extent that the resource theory is viewed as critical to child wellbeing (see Duncan and Lansdale 2001), the problem of extending elements of this model to these states ought to be a priority. To do this, three approaches may be particularly important: (1) changing the fiscal formula in a way that provides greater resources to traditionally low-spending states, while at the same time ensuring that states spend the money on low-income families (e.g., by coupling expanded grants to increased maintenance of effort

requirements); (2) helping to build the capacity of and incentives for local governments to deliver work supports and other services to poor families (perhaps by promoting innovation, evaluation, and diffusion of different ways of structuring state-local relationships for human services); and (3) better understanding and dissemination of differences across states in income sources and service supports of poor families, as a way of putting pressure on states to reduce differences.

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